 <small>TORNERIA AUTOMATICA DI PRECISIONE</small>	QUALITY DOCUMENT	M11- PQ-8.4-01	
Title: <div style="text-align: center; font-size: 1.2em;">Supplier Quality Manual</div>		Process Owner: <div style="text-align: center; font-size: 1.2em;">RAQ</div>	rev. 0
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1 PURPOSE

The Supplier Quality Manual of Ottani Meccanica srl it's an integral part of the contractual relationship with the supplier.

The contents of this specification define the minimum procedures that must be followed and respected by our suppliers. Following the market trend "zero defects" and "continuous improvement", this specification has been developed, which defines the standards of expectations, guidelines and requirements necessary to achieve, with the collaboration of suppliers, the realization of products comply with the specifications / requests of Ottani Meccanica and its Customers

2 FIELD OF APPLICATION

This procedure applies to all suppliers of raw materials, components and services involved in the production and sale of the parts.

3 TECHNICAL INFORMATION AND CONFIDENTIALITY

All the technical specifications and drawings supplied by Ottani Meccanica srl are owned by it and by its customers, and must therefore be managed with absolute confidentiality. The Supplier cannot communicate or make accessible to third parties or use, on his own or for third parties, technical documents or information on Ottani Meccanica products; for this purpose Ottani Meccanica can request suppliers with whom it shares sensitive information to sign a Confidentiality Agreement

4 EXPECTATIONS

Suppliers are required to:

- Demonstrate (where present) compliance with drawings, performance requirements and reliability, in terms of capability and process controls;
- When required, have the resources and skills available to participate in the APQP product quality planning;
- Have a system that ensures the control of changes in a timely and accurate way,
Have a quality management system in place certified by a third party body,
Have an environmental management system certified by a third party body in place. In the absence it must give evidence of the presence of a management system of the environmental aspects related to its activity.
- Keep the product, process documentations available on request;
- Have the resources and skills to perform an effective and efficient analysis of the causes of the problems and manage corrective actions
- Provide written notification of all situations that may adversely affect the quality of the product supplied to Ottani Meccanica.

5 QUALIFICATION AND EVALUATION OF THE SUPPLIER


5.2 Supplier Qualification

Suppliers are classified and evaluated according to the type of product / service provided, this classification provides:

- Raw material suppliers;
- Treatments: galvanic finishes, other finishes or heat treatments
- Mechanical processing: vibro finishing, rectification etc.
- Components
- External laboratories
- Services (eg. selection of 100%)
- Equipments

5.2 Supplier Quality System

All suppliers must be ISO 9001; suppliers of raw materials, components and treatments, if involved in the OEM Supply Chain, must foresee a growth path to reach the IATF 16949 certification issued by an accredited third part.

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It's responsibility of Ottani Meccanica communicate if suppliers are involved in the Supply Chain of OEM products.

Suppliers who have a management system certified by third party, are considered preferential, in accordance with the following international standards:

- ISO 14001 Environmental management systems
- ISO 45001 Occupational Health and Safety

The supplier is responsible for sending the certificate to Ottani Meccanica srl every time there is an update or revision and for sending a communication in the event of certificate revocation.

In the case of service suppliers or those not operating in the Automotive sector, Ottani Meccanica may arbitrarily decide to use suppliers that are not certified, but these must necessarily demonstrate and guarantee that they have a management system that manages and coordinates all the activities for the release of a service or product conforming to the specifications.

5.3 Initial qualification of a potential new supplier

The insertion of a new supplier may derive from a customer request or from internal needs, in both cases the Purchasing Department evaluates the supplier and shares the initial analysis with the Quality Management.

The preliminary visit of the supplier can only be carried out by the purchasing department, while the subsequent pre-qualification visit must involve the Quality staff, in particular an accredited ISO 16949 internal Auditor must be present.

The suppliers involved in the OEM Supply Chain, whatever the quality certification possessed, must be verified through a System Audit.

In general, if deemed appropriate, the Quality will contact the supplier for the planning of an Audit in order to assess the Supplier's ability to produce and supply.

The "Audit" assessment is performed according to the check list M10-PQ-8.4-01 rev.0 Process Audit Module.

In order to qualify for supply, the New Supplier must reach a minimum overall score of 4. If the evaluation is lower, the supplier can only be approved once the required improvement activities have been successfully carried out.


5.4 Periodic Evaluation of the Supplier

The status of Qualified Supplier is not perennial but subject to periodic evaluation (through an internal validation document of Ottani Meccanica, Bid List of M03-PQ-8.4-01 List of Qualified Suppliers). The criteria monitored on the Bid List are:

- a) Quality Certification (score 3 : IATF 16949, score 2 : ISO 9001 :2015, score 1 if not certified).
- b) Supply Disturbance (decreasing from 3 to 1, depending on the reports and NC founded)
- c) Service Efficiency; the efficiency percentage, given by a weighting of the parameters listed in M05-PQ-8.4-01 "Management of Supplier scores", calculated in monthly deliveries (Score from 3 to 1 de-ascending)
- d) Documentation: delivery of documentation as agreed upon each delivery (Score 2 → documents regular or not required ; Score 1 → occasional documentation or reminders required; 0 → documentation not given)
- e) Non Conformity from Customer: non conformity due to supplier found by Customer in the last 12 months (score 2 → No – score 1 → Yes - score 0 → yes, more times)
- f) Audits Results: score 3 → positive audit or not yet done - score 2 → found Non Conformity, but corrective actions closed positively - score 1 → Audit not possible or found NC still open)
- g) Commercial/Administrative aspects (score 2 if OK - score 1 if NC found)
- h) Environmental Aspects (certification ISO 14001:2015 - score 1 if not present – score 2 if certificated)

The overall score is given by the sum of the points expressed as a percentage (total 20 points) and is as follows:

- CLASS A : Valuation % \geq 80% ; preferential supplier.
- CLASS B : $60\% \leq$ Valuation % < 80% ; qualified supplier with necessary or ongoing improvement actions to return to class A

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- CLASS C: Valuation % < 60% ; supplier not to be used for new projects, if the requested improvement actions are not carried out, it can be removed from M03-PQ-8.4-01 Qualified Supplier List (Black List).

Ottani Meccanica will communicate the assessment obtained annually to suppliers, if the supplier is in class A, no activity will be required; if the supplier is in a lower class or passes from one category to another, Ottani Meccanica srl will send the evaluation explaining the reasons and request an action plan in order to achieve classification "A".

Any serious punctual problems that lead to the variation of the supplier class will be immediately reported to the supplier, in order to activate if possible an Improvement Plan.

5.5 Supplier subcontracting process

The Supplier must guarantee the compliance of all its sub-suppliers with the same diligence and rules with which it operates for Ottani Meccanica srl. The supplier is responsible for disclosing the technical documentation and mandatory requirements to the entire supply chain.

In particular, the Supplier who use sub-suppliers, have to:

- verify in advance the suitability of the sub-supplier
- activate all the control actions necessary to ensure product compliance in the event of failures of the sub-supplier quality system
- ensure the implementation of rapid corrective actions in the presence of non-compliant products
- communicate its existence to Ottani Meccanica

5.6 Suppliers and Sub-suppliers audits and visits

Ottani Meccanica srl reserves the right to carry out planned audits and organized activities, with the Supplier or Sub-Supplier in order to verify:

- The application of the requirements of the quality management system;
- Product Production Process;
- The technical documentation relating to the product qualified during the PPAP;
- Inventory and logistic management of the purchased product

Based on the evaluation obtained, a minimum audit frequency is defined with the following criteria:

- Supplier IATF: every 3 years;
- Supplier ISO 9001 : every 2 years
- Supplier not certified or involved in the realization of OEM products: at least yearly.

The audit for non-IATF suppliers must be carried out by checking compliance with the MAQMSR (Minimum Automotive Quality Management System Requirements) or similar.


6 SAMPLES EVALUATION FOR PROCESS/PRODUCTS APPROVAL

6.1 New Supplier

Once the supplier is included in the list of approved suppliers, the Purchasing Department issues a supply order to the Product Supplier, attaching the following documents and / or information if necessary:

- Product/Project drawing;
- Any special / safety characteristics of the material or component (and related request);
- Reference Technical Specifications;
- Normative References;
- Objectives (Quality – Services – Volumes)
- Packaging specifications if present;
- Various and other;

Acceptance by the Supplier of the order and related documentation, without making any reservations or evaluations of the same, validates the feasibility and compliance with the specifications recalled on the order itself and the delivery of the first sampling. In the event that the documentation provided is incomplete or not exhaustive, the supplier is obliged to request the necessary information and clarifications from Ottani.

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Normally, during the order acquisition phase, the supplier must present a level 3 product-process validation sampling according to AIAG PPAP Manual, a lower level of PPAP can be requested in case the product purchased is commercial / standardized.

6.2 Supplier already approved

The supplier must always present a sampling of pre-series for product-process validation in the following cases:

1. New product for Ottani Meccanica;
2. Modified Products, if the modification impacts special characteristics, heat / surface / carry-over treatments, electronic components;
3. Resampled product for not having passed the first pre-series sampling approval.

In all cases the documentation must be in accordance with what is already reported in point 6.1

6.3 Release of the approval and notification to the supplier

RAQ / RQF of Ottani Meccanica defines, coordinates and verifies the sampling activity of the Supplier.

Based on the documentation received, the tests carried out in the machine and the feed back received, it communicates the result to the supplier by sending the PSW:

APPROVATION COMPLETET: the products comply with the technical specifications, the supplier is authorized to deliver series production batches.

APPROVATION PARTIAL: The deviations found on the components do not affect their use, the supplier is authorized with reserve to deliver production batches and at the same time plan the activities necessary to correct the deviations to obtain full approval with a new sampling.

REFUSED: The products are not compliant with the specifications.

6.4 Compliance with legislation on safety and the environment "REACH, ROHS, IMDS..."

Where applicable, all suppliers must guarantee compliance with the safety and environmental regulations in force in the receiving country for the product and / or service supplied to Ottani.

For IMDS the reference ID is 13883.

7 GUARANTEE OF THE QUALITY OF THE PRODUCTS AND SERVICE PROVIDED

7.1 Product Supply

The requirements defined by the specifications and validated during the homologation phase must always be fully satisfied. Ottani reserves the right to carry out conformity checks on supplies:

- At the supplier and/or sub-supplier;
- In acceptance;
- During its internal process;
- At the final customer;


7.2 Service Supply

The provision of maintenance services is understood to include the certificate of implementation and testing of the machine or plant on which the intervention took place.

Regular testing of the machinery does not exempt the maintenance supplier for any hidden defects that did not emerge at the time of testing.

The equipment and spare parts supplied and mounted on the machinery must be covered by a warranty, which must be defined with Ottani during the contract, normally two years of warranty are required. The supplier must be covered by an insurance policy and is required to provide a copy on the occasion of the performances in Ottani.

Unless otherwise defined in the contract phase, the disposal of any waste produced during the execution of the activities is Ottani's responsibility; if, however, the disposal to be paid by the supplier is defined, this must present the authorization for disposal and / or demonstrate its correct disposal in the manner prescribed by law.

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7.3 Documents and supplier technical registrations

The supplier must collect, update, archive and if necessary make available to Ottani all the documents necessary to guarantee and prove the conformity of the product and service provided. When required, the supplier of products must also give evidence of the conformity of the material supplied with the declaration of conformity, dimensional measurements, when defining capacity studies of the "cp / cpk" product, certificates of any treatments performed and certificates of the material used. Unless otherwise agreed, the recording of data and results obtained relating to the product must be applied both to the production of the supplier and to that of any of its subcontractors, the record keeping is for a time of at least 15 (fifteen) years for OEM products and at least 10 (ten) for the other products.

8 TRACKING

Product suppliers must guarantee the traceability of the lots of the components supplied. The production batches delivered must be managed by the supplier according to the "FIFO" logic First in - First out. The supplier must therefore have a system that allows to identify and trace in an unequivocal way, for each batch of material delivered, the date of manufacture and the results of the checks. This requirement also applies to products and processes made by subcontractors.

9 PACKAGING

Handling, packaging and transport have a significant effect on product quality and user safety. The supplier must pack the products according to what has been agreed with Ottani Meccanica and in the absence of specific agreements, the supplier must guarantee that the surface appearance, the dimensional and functional characteristics of the product remain unchanged during storage, transport and unpacking. Any changes and / or changes in packaging cannot be made by the supplier without prior authorization from Quality or the Ottani Meccanica Purchasing Office.

10 IDENTIFICATION

The Supplier must identify with tag (possibly equipped with a Bar Code) each container or packaging supplied, guaranteeing the following minimum information:

- Name of the supplier;
- Date of production;
- Designation and item code;
- Quantity;
- Number of batch and or flow;
- Possible special state of the container (sampling, derogating lot, ...)

11 MANAGEMENT OF NON-CONFORMING PRODUCTS


The Supplier is always fully responsible for the products and services provided.

Any identified Non Conformity, regardless of the phase of the process in which it is detected (in acceptance, in process and / or / or the customer), is contested to the Supplier by sending a Non Conformity report issued by Ottani Meccanica Supplier Quality.

The Non Conformity report indicates all the elements relating to the lot / quantity and the disputed characteristics.

Since the internal material management flows and any containment actions activated by Ottani Meccanica after the detection of an NC can take several days, the event can be reported to the Supplier, in advance of the precise definition of the situation, through a report e-mail or a phone call. The Report is sent to the Supplier with the sole purpose of activating its internal selection practices on any product stocks held and any corrective actions.

All materials deemed defective, compatibly with the production requirements, will be returned to the Supplier in the agreed manner.

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If, on the other hand, it is not possible to return the component, the Supplier may be asked to work at the Ottani factory to carry out the activities deemed necessary to resolve the non-compliance.

In relation to the type of NC, the following will be requested to the Supplier:

- activate the necessary containment actions;
- activate corrective actions of an appropriate level;
- develop the appropriate Problem Solving activities.

12 MANAGEMENT OF CORRECTIVE ACTIONS

It is essential that the Supplier starts the activities necessary to solve the problem as soon as possible received the notification of a non-compliance, the replies must respect the timing requested by Ottani Meccanica.

The Supplier must identify the causes and implement appropriate actions to eliminate them and prevent their recurrence by giving Ottani Meccanica feedback on the activities undertaken.

The causes and actions taken to resolve the NC must be reported on an 8D document.

13 DEROGATION/CONCESSION

The Product Supplier is not authorized to deliver non-specific material without the prior written authorization of RQF di Ottani Meccanica.

The request to supply components that deviate from the set requirements must always be formally submitted to RQF, also supplying samples that allow an adequate evaluation of the deviation / defect. Following the possible approval of the request, the Supplier must identify univocally the authorized material, by placing a copy of the approval document on each container delivered.

Derogations or concessions cannot be applied in the case of NC concerning special characteristics or subject to legislative, homologation or binding constraints for which a derogation / concession cannot be granted.

If the Supplier does not have his own form, he can request Form M12-PQ-10.2 from Ottani.

14 CHARGES TO SUPPLIER OF COSTS ARISING FROM NON-CONFORMITY REPORTS

The costs of non-quality generated by the non-conformities whose responsibility is ascertained by the supplier may be charged to the supplier himself.

These costs can refer to:

- A) Management Costs of the NC;
- B) Costs of non-compliant products scrapped and returned to the supplier;
- C) Costs for selection of non-conforming material;
- D) Costs charged by Ottani Meccanica customers following the NC caused by the Supplier
- E) Warranty costs

- 15 ATTACHMENTS (optional)
M10-PQ-8.4-01 rev.0 Process Audit Module.
M12-PQ-10.2 Derogation Request